

PUBLIC DISCLOSURE

JUNE 4, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CAPE ANN SAVINGS BANK

Certificate # 90203

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Division of Banks

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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate- income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

General Information.....	1
Institution's CRA Rating	1
Scope of Examination	3
Description of Institution	5
Description of Assessment Area	6
Conclusions with Respect to Performance Tests	10
Appendix A.....	A-1
Appendix B	B-1

GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Cape Ann Savings Bank (or the “Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **June 4, 2012**. The agencies evaluate performance in the assessment area as defined by the institution, rather than individual branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in the Division’s regulation 209 CMR 46.00 and Part 345 of the FDIC’s Rules and Regulations, respectively.

INSTITUTION'S CRA RATING:

This institution is rated “High Satisfactory” by the Division.

This institution is rated “Satisfactory” by the FDIC.

(Please note that the FDIC’s rating matrix does not provide for a “High Satisfactory” rating.)

An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Lending Test

The institution is rated “**Outstanding**” under the Lending Test. This rating is supported by the following summary of results.

Loan-to-Deposit Ratio

The loan-to-deposit (“LTD”) ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution’s size, financial condition, and assessment area credit needs. The Bank’s average net LTD ratio over the 12 quarters since the prior CRA evaluation dated March 23, 2009, was 73.1 percent.

Assessment Area Concentration

A substantial majority of the Bank’s home mortgage and small business loans, by number and dollar amount, were within its designated assessment area. During 2010 and 2011, 95.4 percent of the number of home mortgage loans, and 86.4 percent of the number of small business loans were made inside the assessment area.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The Bank’s concentration of home mortgage loans in the area’s moderate-income geographies was far exceeded that of the aggregate. Similarly, the Bank’s performance in small business lending was excellent. Nearly half of loans to small businesses were within the area’s moderate-income census tracts during the review period.

Borrower Characteristics

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income), and businesses of different revenue sizes. The Bank exceeded the aggregate market in percentage of home mortgage loans to low- and moderate-income borrowers in 2010. The Bank responded to small business financing needs by making the substantial majority of its loans to the assessment area's small businesses.

Response to Complaints

Cape Ann Savings Bank did not receive any CRA-related complaints during the period reviewed.

Community Development Test

The institution is rated "**Satisfactory**" under the Community Development Test.

The institution demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development throughout the institution's assessment area. This rating is supported by the following factors.

Community Development Loans

The Bank's community development lending activity is adequate. The Bank made five qualified community development loans totaling \$246,000 during the evaluation period. Of particular note, three of these loans were made through the Small Business Administration's America's Recovery Capital loan program. These loans were responsive to economic development needs in the City of Gloucester.

Community Development Investments

The level of qualified investments is adequate. The Bank currently has qualified equity investments in the Massachusetts Business Development Corporation and the Gloucester Investment Corporation. Additionally, the Bank has made numerous qualified charitable donations during the review period.

Community Development Services

The Bank provided an adequate level of community development services throughout the evaluation period, including involvement in various community development organizations, participation in flexible loan programs, and provisions and availability of services to low- and moderate-income individuals.

SCOPE OF EXAMINATION

This evaluation assesses Cape Ann Savings Bank's CRA performance utilizing the interagency intermediate small institution ("ISI") examination procedures, as established by the Federal Financial Institutions Examination Council. ISI means a small institution with assets of at least \$290 million as of December 31 of both of the prior two calendar years, and less than \$1.160 billion as of December 31 (adjusted annually) of either of the prior two calendar years. These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution's applicable home mortgage, small business, and small farm loans during a certain review period. The Community Development Test is an analysis of activities (loans, investments, and services) that an institution has completed to meet the needs of the community since the previous evaluation.

The Lending Test considered the Bank's home mortgage and small business lending. The Bank's most recent Report of Condition and Income ("Call Report"), dated March 31, 2012, indicated that residential lending, including all loans secured by 1 to 4 family and multi-family residential properties, represented 82.7 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represented 12.9 percent of the loan portfolio. Residential lending also represented the significant majority of loan volume generated during the current review period. Based on this information, the overall conclusions were primarily based on the Bank's performance in home mortgage lending, as this product carried a greater weight in the overall lending test analysis. The Bank made only a nominal number of small farm loans; thus, this product line is not included in the evaluation as no meaningful conclusions can be drawn from analyzing this product.

Data reviewed includes all originated home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") loan application registers ("LARs") for full years 2010 and 2011. The LARs contain data about home purchase and home improvement loans, including refinances, of one to four family and multifamily (five or more units) properties. The institution reported 170 loans totaling \$35.5 million in 2010, and 180 loans totaling \$42.4 million in 2011. The Bank's 2010 home mortgage lending performance was compared against 2010 aggregate lending data. Aggregate data includes the lending activity of all institutions subject to HMDA reporting within the same defined assessment area. The evaluation focused on the Bank's lending performance in 2010, as aggregate data for 2011 was not yet available.

As an ISI, collecting and reporting small business data is not required; however, at its option, Cape Ann Savings Bank elected to collect and report this data. A CRA-defined small business loan is any loan for \$1 million or less that was reported by the Bank as either a commercial real estate loan or a commercial and industrial loan. A review of CRA loan registers ("LRs") indicated the Bank originated 26 small business loans totaling \$2.7 million in 2010, and 40 small business loans totaling \$5.2 million in 2011. Although the Bank reported small business loan data, the aggregate data, submitted primarily by larger institutions, was not used to formulate comparisons. Instead, business demographics of the assessment area were used as a means of measuring Cape Ann Savings Bank's performance.

While the total dollar amounts of loans are discussed under the Lending Test, the evaluation is primarily based on the Bank's lending performance by the number of loans originated or purchased during the review period. Demographic information referenced in this evaluation was obtained from the 2000 United States ("US") Census, unless otherwise noted. Financial data about the Bank was obtained from the March 31, 2012, Call Report.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services between March 23, 2009, and June 4, 2012.

The previous CRA evaluation was conducted by the Division and the FDIC as of March 23, 2009, using ISI examination procedures. The evaluation resulted in an overall “High Satisfactory” rating by the Division and an overall “Satisfactory” rating by the FDIC.

PERFORMANCE CONTEXT

Description of Institution

Cape Ann Savings Bank is a Massachusetts state-chartered, mutual savings bank headquartered in Gloucester, Massachusetts. In addition to its main office located at 109 Main Street in Gloucester, the Bank operates one other full-service banking location in Manchester-by-the-Sea (Manchester), Massachusetts. Additionally, the Bank maintains a service branch at the Gloucester High School. All banking offices are equipped with automated teller machines (“ATMs”), and the Bank also has two stand alone ATMs located in Gloucester. The Gloucester branches are located in moderate-income census tracts, and the Manchester branch is located in an upper-income tract. In the past, the Bank also operated a Loan Production Office in Gloucester, which was closed on July 31, 2009.

The Bank is a full-service financial institution offering deposit products such as checking, savings, and retirement accounts, as well as loan products such as home financing programs that include fixed and adjustable rate mortgage programs for the purchase, refinance, improvement, and construction of residential property. Additionally, the Bank offers consumer credit products including home equity lines of credit, home improvement loans, automobile loans, personal loans, and overdraft lines of credit. Further, the Bank provides trust and investment services through its Trust Department.

Cape Ann Savings Bank offers commercial customers checking, savings, and money market accounts. Merchant servicing is also available. Financing options including commercial real estate loans, term loans, lines of credit, construction loans, permanent mortgages, and domestic/international letters of credit. The Bank is a participating US Small Business Administration (SBA) lender.

The Bank had total assets of \$436.1 million as of March 31, 2012. Assets increased approximately 17.2 percent since the previous evaluation. As of March 31, 2012, total loans stood at \$222.8 million, and represented 51.1 percent of total assets. Table 1 illustrates the distribution of the Bank’s loan portfolio as of March 31, 2012.

Table 1 – Loan Portfolio Distribution as of March 31, 2012		
Loan Type	Dollar Amount (000s)	Percent of Total Loans
Construction and Land Development	8,353	3.7%
Revolving Open-end 1-4 Family Residential	14,053	6.3%
Closed-end 1-4 Family Residential First Lien	160,352	72.0%
Closed-end 1-4 Family Residential Junior Lien	2,246	1.0%
Multi-Family (5 or more) Residential	7,611	3.4%
Total Residential Loans	192,615	86.4%
Commercial Real Estate	24,618	11.1%
Total Real Estate Loans	217,233	97.5%
Commercial and Industrial	4,053	1.8%
Automobile Loans	197	0.1%
Closed-end Consumer Loans	1,320	0.6%
Total Loans	222,803	100.0

Source: March 31, 2012 Call Report

As depicted in Table 1, the Bank's loans are primarily concentrated in residential real estate, followed by commercial real estate. No financial or legal impediments exist that would limit or impede the Bank's ability to meet the credit needs of the delineated assessment area.

Description of Assessment Area

The CRA requires the designation of one or more assessment areas within which a financial institution's record of helping to meet the credit needs of its community will be evaluated. The Bank has one designated assessment area that conforms to CRA requirements as it consists of whole geographies, does not arbitrarily exclude low- or moderate-income areas, does not extend beyond state boundaries, and does not reflect illegal discrimination. The Bank has not changed its assessment area since the previous CRA evaluation.

Geographies

Cape Ann Savings Bank's assessment area encompasses an area known as Cape Ann, which includes the towns of Essex, Manchester, Rockport, and the City of Gloucester. The area is an island, located approximately 30 miles northeast of Boston, physically separated from the rest of Massachusetts by the Annisquam River. The area has historically been known for its fishing and tourism industries. Each of the cities and towns is located within Essex County and the Peabody, Massachusetts Metropolitan Division (MD) #37764.

The analysis for the geographic distribution section of the lending test is based on the distribution of loans by income level of census tract, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the Metropolitan Statistical Area (MSA) or MD in which the tract is located. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent but less than 80 percent of MFI

Middle-Income: At Least 80 percent but less than 120 percent of MFI

Upper-Income: 120 percent or greater of MFI

The assessment area contains 11 census tracts. There are no low-income tracts, 4 moderate-income tracts, 6 middle-income tracts, and 1 upper-income tract. All 4 moderate-income tracts are located in Gloucester.

According to 2000 US Census data, the population of the assessment area is 46,535. The City of Gloucester's population is 30,273 or 65.1 percent of the assessment area. Of the total population, 36.4 percent reside in moderate-income census tracts, 54.5 percent in middle-income census tracts, and 9.1 percent in upper-income census tracts.

Median Family Income Levels

The analysis under the borrower characteristics section of the lending test is primarily based on the distribution of home mortgage loans to borrowers of different incomes, using the same four income levels defined in the previous section. The analysis utilizes income data from the 2000 US Census for the Peabody, Massachusetts MD that has been annually adjusted by the Department of Housing and Urban Development for inflation and other economic events. The estimated 2010 and 2011 MFI figures were \$83,900 and \$86,200, respectively, for the Peabody, MD.

The analysis of the Bank's home mortgage lending also includes comparisons to the distribution of assessment area families by income level. Table 2 shows this distribution based on 2000 US Census data.

Table 2 – Number and Percentage of Families by Income Level		
Income Category	2000 Census	
	# of Families	% of Total Families
Low-Income	2,308	18.7
Moderate-Income	2,264	18.3
Middle-Income	3,062	24.8
Upper-Income	4,712	38.2
Total	12,346	100.0

Source: 2000 US Census Data

Although Table 2 reveals there is a higher representation of upper-income families in the assessment area, all three of the remaining income categories are somewhat similarly represented. This information suggests lending opportunities should be available to all income categories.

Housing Characteristics

Table 3 illustrates various housing-related statistics and other demographics of the assessment area by census tract income level.

Table 3 – Selected Housing Characteristics by Income Category of the Geography							
Geography Income Level	Percentage						Median Home Value
	Census Tracts	Families	Housing Units	Owner- Occupied	Rental Units	Vacant Units	
Moderate	36.4	25.0	25.6	17.5	44.2	9.1	\$162,791
Middle	54.5	63.2	63.8	69.9	47.2	84.2	\$247,313
Upper	9.1	11.8	10.6	12.6	8.6	6.7	\$418,800
Total / Median	100.0	100.0	100.0	100.0	100.0	100.0	\$260,208

Source: 2000 US Census

Among other statistics, Table 3 depicts the distribution of owner-occupied housing units by census tract income level. This table shows 25.6 percent of all housing units in the assessment area are located in moderate-income tracts; however, only 17.5 percent of total owner-occupied units are in the moderate-income tracts. The lower percentage of owner-occupied housing units in moderate-income tracts limits the opportunities to make home mortgage loans in these areas. Conversely, nearly two thirds of housing units in both middle- and upper-income tracts are owner-occupied, showing where the highest demand for mortgage loans is likely to be.

Table 3 also illustrates that 84.2 percent of vacant units are located within the middle-income census tracts. This is partially due to the majority of census tracts in the assessment area being located in middle-income tracts. This could also be due to a larger number of seasonal or vacation homes being located on the island. The majority of waterfront real estate is conducive to seasonal or vacation units.

The median housing value in the assessment area was \$260,208 as of the 2000 US Census. More recent housing data obtained from *The Warren Group* reflects median housing values for Gloucester were highest in 2005 at \$345,000. After this time, median housing values in Gloucester progressively decreased each year until reaching a low of \$274,500 in 2010; in 2011, median housing values rose to \$295,000.

Table 4 illustrates median home prices for each assessment area community.

Table 4 – Median Home Sales Prices		
City or Town	2010	2011
Essex	\$500,000	\$335,000
Gloucester	\$274,500	\$295,000
Manchester	\$600,000	\$687,500
Rockport	\$375,000	\$357,500

Source: The Warren Group

As displayed in Table 4, home prices in Gloucester rose slightly from 2010 to 2011, reflecting a stable environment. On the other hand, home prices were fairly volatile in other towns within the assessment area; Essex reported a 33 percent decline in median sales price from 2010 to 2011, while Manchester had a 15 percent increase during the same period.

Strict zoning restrictions, especially in harbor areas, have limited housing and commercial development, further limiting the Bank's opportunities to make loans for the construction and development of affordable housing. Such zoning restrictions and the lack of open space has also constrained tourist-related developments, such as hotels. The Gloucester Harbor's status as a "Designated Port Area" by the Commonwealth of Massachusetts prevents the development of residential housing on the waterfront. The geographic isolation of the Bank's assessment area also limits the customer base of potential small businesses. These factors have discouraged developers from initiating housing developments with affordable components.

Unemployment Data

Information on unemployment rates within the assessment area and state-wide was obtained from the Massachusetts Executive Office of Labor and Workforce Development. The Massachusetts state unemployment rate for 2010 was 8.0 percent, and 7.4 percent in 2011. Additionally, the Essex County unemployment rate for 2010 was 8.8 percent, and 7.8 percent in 2011.

The 2010 annual unemployment rates ranged from a low of 6.7 percent in Manchester to a high of 10.1 percent in Gloucester. While annual unemployment rates decreased for each assessment area community in 2011, unemployment rates in Gloucester remained higher than the average of both Essex County and the State of Massachusetts.

Business Demographic Data

According to *D&B* data, there were 5,399 non-farm businesses in the assessment area in 2010. Of total non-farm businesses, 23.9 percent were in moderate-income tracts; 62.1 percent were in middle-income tracts; and 14.0 percent were in upper-income tracts. In terms of revenues, 70.3 percent of businesses had gross annual revenues (GARs) of \$1.0 million or less; 3.3 percent had GARs greater than \$1.0 million; and 26.4 percent did not report GAR information.

Competition

Cape Ann Savings Bank operates in a highly competitive lending environment. The Bank faces competition from large national/regional banks, mortgage companies, and community banks. Residential lending market share reports for 2010 indicate a total of 185 lenders reported 2,672 originations or purchases, totaling approximately \$791 million in the assessment area. The top ten home mortgage loan originators consisted of large mortgage companies, national/regional banks, as well as a local community bank. These institutions accounted for 49.7 percent of the home mortgage market share in the assessment area.

Competitors operating within the Bank's assessment area include Rockport National Bank, BankGloucester, First National Bank of Ipswich, and Institution for Savings. According to Bank management, TD Bank, N.A. and Bank of America, N.A. also have a presence in the area's mortgage market.

In addition, Cape Ann Savings Bank faces competition from national and local institutions for small business loans. Bank management referenced BankGloucester and Rockport National Bank as local competitors in the small business loan market.

Community Contacts

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of their communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was referenced in preparing this evaluation. The contact indicated funding for programs that promote financial literacy, especially among younger people, is a pressing issue in the area. The contact stated that local financial institutions are very involved in donating, but could give further support by providing guidance and expertise to local organizations. According to the contact, individual homeowner financing is one of the greatest community development needs at this time. The contact also stated that economic development, especially for non-fishing industries, is a priority to strengthen the area's economy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Lending Test considers Cape Ann Savings Bank's performance pursuant to the following criteria: LTD ratio, assessment area concentration, geographic distribution of loans, lending to borrowers of different incomes and businesses of different revenue sizes, and the bank's record of taking action in response to CRA complaints. Overall, the Bank's performance under the lending test is considered "Outstanding." This rating indicates the Bank's lending performance demonstrates excellent responsiveness to the credit needs of the assessment area.

Loan-to-Deposit Ratio

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans. Cape Ann Savings Bank's LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities), given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 12 quarters since the previous CRA evaluation was 73.1 percent. The Bank's net LTD ratio as of March 31, 2012, was 68.9 percent.

Growth patterns of loans and deposits were also analyzed to assess changes in the net LTD ratio over the course of the review period. Net loans (total loans net of unearned income and allowance for loan losses) were generally stable during the review period. Net loans were reported the highest at \$226.1 million as of December 31, 2009, and the lowest at \$218.7 million as of September 30, 2011. Overall, net loans declined by 0.2 percent over the last 12 quarters. Total deposits generally increased throughout the review period, resulting in growth of 17.4 percent. As a result of deposit growth outpacing loan growth, the net LTD ratio decreased during the review period from 75.8 percent to 73.1 percent.

The Bank's net LTD ratio was compared to the LTD ratios of three other locally-based, similarly situated depository institutions as of March 31, 2012. Despite being lower than the comparable banks, the Bank's net loan-to-deposit ratio is considered reasonable. The comparison to these institutions is mitigated as there are no institutions similar in asset-size or loan portfolio composition located in the Bank's assessment area, or the remainder of Essex County.

Assessment Area Concentration

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area by evaluating the amount of lending conducted within the assessment area. The analysis includes both residential lending and small business lending. As stated previously, more weight was placed on residential lending performance based on the composition of the Bank's loan portfolio and the volume of loans generated within each product line.

Overall, a substantial majority of the Bank's residential and small business loans, by number and dollar amount, were inside the designated assessment area. The following sections detail the Bank's performance under this criterion by loan type.

Residential Lending

Cape Ann Savings Bank originated a substantial majority of home mortgage loans inside its assessment area in 2010 and 2011. Table 5 portrays the Bank's record of originating home mortgage loans inside and outside the assessment area during the review period.

Table 5 – Distribution of Residential Loans Inside and Outside the Assessment Area										
Year and Loan Purpose	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	\$
2010										
Purchase	42	95.5	2	4.5	44	12,404	96.1	507	3.9	12,911
Home Improvement	43	93.5	3	6.5	46	6,569	97.4	175	2.6	6,744
Refinance	79	98.8	1	1.2	80	15,696	98.9	183	1.1	15,879
Subtotal	164	96.5	6	3.5	170	34,669	97.6	865	2.4	35,534
2011										
Purchase	50	87.7	7	12.3	57	15,261	91.1	1,498	8.9	16,759
Home Improvement	51	98.1	1	1.9	52	11,045	98.6	156	1.4	11,201
Refinance	69	97.2	2	2.8	71	14,211	98.2	259	1.8	14,470
Subtotal	170	94.4	10	5.6	180	40,517	95.5	1,913	4.5	42,430
Total – HMDA	334	95.4	16	4.6	350	75,186	96.4	2,778	3.6	77,964

Source: 2010 and 2011 HMDA LARs

As shown in Table 5, Cape Ann Savings Bank made 95.4 percent of total loans by number, and 96.4 percent by dollar amount, inside the assessment area. During 2011, the Bank continued to originate a substantial majority of its loans inside the assessment area.

Additional analysis of home mortgage loans inside the assessment area by loan purpose was also performed. Refinance loans represented the largest portion of loans within the assessment area each year, which may be explained by the low-rate environment. Overall, refinances declined in 2011, while both purchase and home improvement loans increased. The biggest increase in loan volume was in purchases with an increase of 13 loans, or 29.5 percent, during the review period.

Cape Ann Savings Bank ranked 3rd out of 185 HMDA-reporting lenders in the assessment area in 2010, capturing approximately 6.1 percent of the market share. The two institutions ranked higher than the Bank were large national banks. Cape Ann Savings Bank achieved the highest market share for a community bank in the assessment area. The Bank dominates the market in home improvement loan activity, ranking 1st among all banks with a market share of 31.6 percent. The next closest competitor in the home improvement market is a large national bank, capturing 10.3 percent of the market share. Further, the Bank ranks in the top 5 institutions for purchase and refinance loans, ranking 2nd and 5th, capturing 6.9 percent and 4.1 percent of the market share, respectively. This information clearly shows the Bank is an industry leader for home mortgage lending activity within its designated assessment area and displays excellent responsiveness to assessment area credit needs.

Small Business Lending

Small business loan data was analyzed to determine the extent of small business lending within the assessment area. A majority of small business loans, by both number and dollar amount, were made in the assessment area during the review period.

Table 6 – Distribution of Small Business Loans Inside and Outside the Assessment Area										
Year	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
2010	23	88.5	3	11.5	26	2,618	95.6	120	4.4	2,738
2011	34	85.0	6	15.0	40	4,294	82.1	936	17.9	5,230
Total	57	86.4	9	13.6	66	6,912	86.7	1,056	13.3	7,968

Source: CRA Loan Register – Small Business Data (2010 and 2011)

As shown in Table 6, Cape Ann Savings Bank made 57, or 86.4 percent, of total small business loans inside the assessment area during 2010 and 2011. Although the number and dollar amount of small business loans, by percentage of activity, inside the assessment area decreased slightly from 2010 to 2011, the Bank's overall production of small business loans within the assessment area increased. Specifically, Cape Ann Savings Bank originated an additional 11 loans within the assessment area, which equates to a 47.8 percent increase from 2010 to 2011. Total production by dollar amount displayed a similar trend within the assessment area from 2010 to 2011. The increased volume reflects positively on the Bank's performance. Overall, the Bank continues to produce a significant majority of its small business loans within the assessment area.

Geographic Distribution

Overall, the geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment area. Greater emphasis was placed on the Bank's level of lending in the assessment area's moderate-income census tracts. The assessment area does not contain any low-income census tracts. The following sections discuss Cape Ann Savings Bank's performance under this criterion with regard to each product line.

Home Mortgage Lending

The distribution of the Bank's home mortgage lending reflects excellent dispersion throughout the assessment area. Table 7 presents the Bank's home mortgage lending performance by number of loans in 2010 and 2011, as well as the 2010 aggregate market data. Table 7 also includes the percentage of owner-occupied housing units for each census tract income level for comparison purposes.

Table 7 – Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner- Occupied Housing Units	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank 2011	
		%	#	%	#	%
Moderate	17.5	14.3	48	29.3	43	25.3
Middle	69.9	69.9	97	59.1	114	67.1
Upper	12.6	15.8	19	11.6	13	7.6
Total	100	100.0	164	100.0	170	100.0

Source: 2010 and 2011 HMDA Data, 2000 US Census Data

In 2010, the Bank's lending within the moderate-income tracts of 29.3 percent was more than two times the aggregate lending at 14.3 percent. Additionally, Cape Ann Savings Bank produced a higher percentage of loans in moderate-income tracts compared to the percentage of owner-occupied housing units in those tracts during both years in the review period. This demonstrates the Bank's strong performance in meeting the credits needs of moderate-income geographies.

The evaluation also considered the number of tracts in the assessment area in which the Bank made loans. The Bank originated at least one loan in each of the 11 census tracts in both 2010 and 2011. It should be noted that although institutions are not expected to lend in every census tract, the Bank's record of doing so during both years in the review period is an additional measure of Cape Ann Savings Bank's commitment to serving the Bank's entire assessment area.

While not shown in Table 7, the distribution of the Bank's residential loans was also analyzed by loan purpose. In 2010, the Bank made 11 home purchase loans, 14 home improvement loans and 23 refinance loans in the moderate-income census tracts. In 2011, 13 home purchase loans, 17 home improvement loans, and 13 refinance loans were made in moderate-income tracts. The significant decline in refinance loans in 2011 is likely due to the stabilization of mortgage interest rates in the market, creating less demand for refinance loans. Overall, this information further displays how Cape Ann Savings Bank is meeting the credit needs of the moderate-income census tracts, by delivering products that serve all three loan purposes.

Market data for 2010 indicates that Cape Ann Savings Bank captured 11.8 percent of the market share for all home mortgage loans reported in the assessment area's moderate-income tracts. The institution ranked 1st out of 72 total lenders that made at least a single home mortgage in moderate-income census tracts of the assessment area. There were only two other community banks ranked in the top 10. The institution's performance in this criterion reflects excellent penetration throughout the assessment area's moderate-income census tracts.

Small Business Lending

The geographic distribution of the Bank's small business loans reflects excellent dispersion throughout the assessment area.

Table 8 illustrates the Bank's small business lending activity in 2010 and 2011, as well as the composition of businesses, by census tract income level.

Table 8 – Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	% of Businesses (2010)	Bank 2010		% of Businesses (2011)	Bank 2011	
		#	%		#	%
Moderate	24.8	12	52.2	23.9	14	41.2
Middle	61.3	9	39.1	62.1	12	35.3
Upper	13.9	2	8.7	14.0	8	23.5
Total	100	23	100	100	34	100

Source: Bank Records – Small Business Data (2010 and 2011); D&B 2010 and 2011 Business Data

In 2010, Cape Ann Savings Bank's lending in moderate-income geographies by number (52.2 percent) is significantly greater than the percentage of businesses in moderate-income geographies (24.8 percent). The Bank's strong performance in 2010 has a positive effect on the criterion rating. Additionally, the Bank continued to make small business loans in the moderate-income tracts in 2011, as small business lending activity increased in all three tract income levels.

Borrower Characteristics

Overall, the distribution of borrowers, given the demographics of the assessment area, reflects excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different revenue sizes. The overall conclusion is based on the excellent distribution of home mortgage loans to low- and moderate-income individuals, and the Bank's excellent performance in lending to businesses with GARs of \$1 million or less. The following sections discuss the Bank's performance under this criterion by loan type.

Home Mortgage Lending

The Bank's performance of home mortgage lending by borrower income level is excellent. Borrower incomes for loans reported in 2010 and 2011 were compared to MFIs for the Peabody MD.

Table 9 shows the Bank's loans by borrower income level in 2010 and 2011. Table 9 also includes the distribution of families by income level (based on 2000 US Census data) and the aggregate market data for 2010.

Table 9 – Distribution of Home Mortgage Loans by Borrower Income						
Family Income Level	% Total Families	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank 2011	
			#	%	#	%
Low	18.7	3.6	22	13.4	17	10.0
Moderate	18.3	14.1	42	25.6	31	18.2
Middle	24.8	21.5	33	20.1	50	29.4
Upper	38.2	46.2	64	39.0	62	36.5
NA	0.0	14.6	3	1.8	10	5.9
Total	100	100.0	164	100.0	170	100.0

Source: 2000 US Census, 2010 and 2011 HMDA LAR, 2011 HMDA Aggregate Data

The Bank originated 13.4 percent and 10.0 percent of home mortgages to low-income borrowers in 2010 and 2011, respectively. The Bank's performance in 2010 significantly exceeded aggregate data, which was at 3.6 percent. Although the Bank's percentage of loans to low-income borrowers was less than the 18.7 percent of low-income families, a significant portion of these families would likely not qualify for a home mortgage loan, as approximately 30 percent of families in the low-income category live below the poverty level.

The Bank originated 25.6 percent and 18.2 percent of its loans to moderate-income borrowers in 2010 and 2011, respectively. The Bank's percentage in 2010 was significantly greater than the aggregate performance of 14.1 percent. The Bank's lending to moderate-income borrowers in 2010 and 2011 was greater than or nearly equal to the percentage of moderate-income families (18.3 percent) in the assessment area; this performance is considered excellent.

The Bank's residential loans were also analyzed by purpose. In 2010, the majority of loans to both low- and moderate-income borrowers were refinance loans. In 2011, the majority of loans to low-income borrowers were home improvement loans. Review by loan purpose did not reveal any patterns that would yield different conclusions under this performance factor.

The 2010 market-rank reports indicated that Cape Ann Savings Bank ranked 1st out of 35 lenders that made at least one home mortgage to a low-income borrower in the assessment area, with a market share of 19.5 percent. The Bank's market share among loans to low-income borrowers was greater than three times the market share of any other community bank in the assessment area. Additionally, the Bank ranked 2nd out of 68 institutions in lending to moderate-income borrowers, with a market share of 10.6 percent. Market share data reflects positively on the institution's performance pursuant to this criterion.

Small Business Lending

The distribution of the Bank's small business loans by GAR level is excellent. Table 10 illustrates Cape Ann Savings Bank's small business loans, as well as business composition, in the assessment area by GAR level.

Table 10 – Distribution of Small Business Loans by Gross Annual Revenue Level						
GAR \$(000s)	% of Businesses (2010)	Bank 2010		% of Businesses (2011)	Bank 2011	
		#	%		#	%
≤ \$1,000	81.2	20	87.0	70.3	32	94.1
> \$1,000 or N/A	18.8	3	13.0	29.7	2	5.9
Total	100.0	23	100.0	100.0	34	100.0

Source: Bank Records – Small Business Data (2010 and 2011); D&B 2010 and 2011 Business Data

In 2010, the Bank extended 20, or 87.0 percent, of its small business loans to businesses with GARs of \$1 million or less. This performance exceeds the percentage of total businesses within the assessment area with GARs of \$1 million or less (81.2 percent). The Bank's performance improved in 2011, with 94.1 percent of its small business loans made to businesses with GARs of \$1 million or less and significantly exceeded the actual percentage of businesses actually operating at GARs of \$1 million or less (70.3).

Response to CRA Complaints

Cape Ann Savings Bank did not receive any CRA-related complaints during the evaluation period. It was noted that the Bank maintains adequate procedures to handle all incoming complaints, including those relating to its CRA performance.

COMMUNITY DEVELOPMENT TEST

Cape Ann Savings Bank's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

Qualified Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

The level of Cape Ann Savings Bank's community development lending is reasonable. The Bank originated five community development loans totaling \$246,000 since the previous examination of March 23, 2009. Four of these loans achieved economic development in the assessment area by creating or retaining permanent jobs in moderate-income tracts or for low- and moderate-income individuals. The other loan promoted affordable housing in the assessment area. These numbers only represent 0.1 percent of total loans and 0.1 percent of total assets; however, mitigating factors are present. Qualified community development loan opportunities remain somewhat limited, as was mentioned earlier in this evaluation; however, the Bank increased community development loan originations, in number, by 80.0 percent when compared to its performance at the time of the last CRA Performance Evaluation.

While the volume and dollar amount of community development loans are low, Cape Ann Savings Bank's primary focus has been on originating HMDA-reportable residential loans, including loans for purchase of permanently affordable condominium units. Furthermore, additional constraints exist, more fully described under "Housing Characteristics" in the *Description of Assessment Area* section, limiting the Bank's opportunities in this area. According to the community contact, individual homeowner financing is the greater community development need at this time.

The Bank was ranked first in home mortgage loans originated to low-income borrowers and second to moderate-income borrowers in the assessment area. During the review period, the Bank originated 39 home mortgage loans totaling approximately \$4,388,000 to low-income borrowers, and an additional 73 home mortgage loans to moderate-income borrowers for approximately \$10,965,000. It is also worth noting that since the last CRA review, Cape Ann

Savings Bank established a relationship with the SBA, and is participating in the America Recovery Capital (ARC) loan program. The Bank originated a total of eight loans for \$280,000 under this program during the review period, three of which are qualified for community development and given credit in this section.

One loan for \$30,000 was granted to a condominium association made up of permanently affordable condominiums. The property is owned by a non-profit entity with a primary purpose of providing affordable housing on Cape Ann.

The remaining four loans were made to small businesses within the assessment area that created or retained jobs either in moderate-income census tracts or to low- and moderate-income individuals. Three of these loans were completed through the SBA's America's Recovery Capital (ARC) loan program. The business receiving an ARC loan makes no payments for 18 months and pays back only the principal after the initial 18-month period. According to the SBA website (www.sba.gov), the ARC loan program is "designed to give viable small businesses facing immediate financial hardship some temporary relief so they can keep their doors open, refocus and get their cash flow back on track." Given the high unemployment rates in the assessment area during the review period, these loans provided vital resources to small businesses that may otherwise have been forced to close. Furthermore, it is particularly noteworthy that Cape Ann Savings Bank chose to make these loans, since they are generally small and require a relatively high level of documentation. Bank management indicated that other local financial institutions did not offer this product.

Qualified Community Development Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The following describes the institution's qualified investments during this evaluation.

Since the previous examination dated March 23, 2009, the amount of the Bank's total qualified investments, donations, and grants is \$159,415. This total includes \$111,840 in existing equity investments and \$47,575 in qualified grants and donations. The volume of investments demonstrates the Bank's commitment to investing in community development initiatives. Also, the level of qualified investments marks an increase in total funds invested in qualified community development investments when compared to the Bank's performance at the time of the last CRA Performance Evaluation.

Qualified Equity Investments

Massachusetts Business Development Corporation – This organization was established to promote economic development throughout Massachusetts. The organization provides loans to smaller businesses where the potential for economic expansion and job creation is high. The Bank provides funds to this organization when there is a need. The investment fluctuates as the needs change. The Bank's investment to this organization currently stands at \$61,840.

Gloucester Investment Corporation - The Bank was an original investor in this organization, which was created in 1993 to foster the creation and retention of jobs throughout the City of Gloucester through the development of a loan fund. The fund provides low-interest secondary financing, along with matching city grants, for the establishment and expansion of small businesses in the Cape Ann area. As of the evaluation date, Cape Ann Savings Bank's investment has a book value of \$50,000.

Charitable Donations

These contributions were made to organizations that provide education, youth programs, affordable housing, health and human services, and support to businesses for growth and development. From March 23, 2009, through May 25, 2012, Cape Ann Savings Bank granted \$216,625 in charitable donations to community organizations, of which \$47,575 or 22 percent was considered qualified under CRA for community development. The amounts qualified in calendar years 2010 and 2011 represent 0.6 percent and 0.5 percent, respectively, of the Bank's pre-tax net operating income.

Further broken down, CASB's qualifying donations by year were as follows:

March 23, 2009 – December 31, 2009:	\$13,900
January 1, 2010 – December 31, 2010:	\$15,150
January 1, 2011 – December 31, 2011:	\$13,525
January 1, 2012 – May 25, 2012:	\$5,000

Examples of some of the qualifying organizations include, but are not limited to:

- A 20-year old non-profit agency dedicated to protecting the equity of low- and moderate-income elder homeowners. As an independent third party, the agency receives no fees for any loans generated;
- A non-profit organization providing various child care programs aimed at serving low- and moderate-income families throughout the Cape Ann area;
- A faith-based non-profit organization that serves the North Shore community through meeting basic human needs by providing shelter, affordable housing, local economic opportunities, and education to low-income individuals;
- A food pantry servicing the Cape Ann community by providing free meals and food in a hospitable environment, providing advocacy on behalf of the disadvantaged, and providing job-skills training and job placement through various programs;
- An umbrella organization focused on funding other local non-profit organizations based on an assessment of the critical needs of the North Shore. The Bank's donations provided funding to organizations offering affordable housing, affordable health care and child care, job training, and other related services in the assessment area.

Qualified Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services. Cape Ann Savings Bank has provided an adequate level of community development services, demonstrating an adequate responsiveness to the area's community development needs. The Bank is currently involved in seven local services and non-profit entities that qualify as community development organizations, lending their financial expertise to these organizations. Eight employees, including the President, are active in these organizations.

Bank Employee Involvement

During the evaluation period, officers and employees of the Bank were involved in a number of organizations in various capacities that represented a community development purpose. Bank personnel provided these organizations with financial expertise serving as directors, officers, loan committee members, and volunteers.

The following are examples of how the Bank's participation with various organizations has benefited the assessment area:

Harborlight Community Partners (HCP) – This organization provides a wide range of housing with services primarily for low- and moderate-income people living in Essex County. As the Region's oldest and largest not-for-profit provider of affordable housing, HCP currently owns, manages, or supports 341 housing units providing homes for over 450 people. This housing is contained within 17 rental facilities located in seven communities on the North Shore and 53 first-time buyer units largely through partnership with Community Land Trust of Cape Ann. A Bank officer serves as the Vice President of the Board of Directors for this organization.

Gilbert Residuary Fund – An officer and two Directors serve on this committee, which provides funds to benefit the deserving poor throughout Gloucester.

Gloucester Investment Corporation – This is a non-profit formed with the intention of providing low-cost financing to companies unable to secure conventional financing and to help with job growth and retention. A Bank Officer serves as the Clerk for this organization.

The Gloucester Revolving Loan Fund (GRLF) – This organization makes real estate and equipment loans to businesses located in Gloucester, Rockport, Essex, and Manchester with a particular emphasis on fishing vessels and seafood-related business. This organization provides seed money to local businesses in an effort to create and retain jobs throughout Cape Ann. A Bank Officer is on the Board of this organization; additionally, another Officer also serves as the Clerk for this organization.

Gloucester Housing Authority's Cape Ann Home Ownership Center – This organization assists individuals that are dealing with foreclosure issues. There are several bankers that serve on this committee, including an Officer from Cape Ann Savings Bank.

City of Gloucester Trust Commission – This committee acts as custodian of funds left in trust for specific city-related purposes. A Bank Officer serves as the Trust Fund Commissioner.

Gloucester Education Foundation – This non-profit organization’s mission is to make Gloucester one of the best school districts in Massachusetts. This organization has raised more than \$1.5 million in donations and grants, has sponsored new and innovative programs, and has been providing support for programs that had been eliminated or significantly curtailed due to financial cutbacks. A Bank Officer serves on the Board of this organization.

Flexible Programs

Cape Ann Savings Bank is an SBA Lender, including the 504 Certified Development Company program and has originated loans for businesses in moderate-income areas that employ and serve area residents. The Bank has also begun lending under SBA’s ARC program this review period. Cape Ann Savings Bank further displays its flexibility by being the top HMDA lender in the assessment area to low-income borrowers and the second HMDA lender in the assessment area to moderate-income borrowers

APPENDIX A DIVISION OF BANKS

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices was identified.

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. For the period reviewed, the Bank received a total of 7 HMDA reportable mortgage applications from racial minority groups within its assessment area. Of the seven applications received from minority groups, four or approximately 57 percent resulted in originations. According to the 2010 aggregate data, 75 percent of the minority applications resulted in originations.

Refer to the following table for further details.

Table 11 - MINORITY APPLICATION FLOW								
RACE	Bank 2010		2010 Aggregate Data		Bank 2011		Bank TOTAL	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	1	0.1	0	0.0	0	0.0
<i>Asian</i>	1	0.4	14	0.4	2	1.0	3	0.7
<i>Black/ African American</i>	0	0.0	5	0.1	0	0.0	0	0.0
<i>Hawaiian/Pac Isl.</i>	0	0.0	0	0.0	0	0.0	0	0.0
<i>2 or more Minority</i>	0	0.0	0	0.0	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	1	0.4	20	0.6	3	1.4	4	0.9
Total Minority	2	0.8	40	1.2	5	2.4	7	1.6
<i>White</i>	220	96.1	2,645	78.2	200	94.3	420	95.2
<i>Race Not Available</i>	7	3.1	698	20.6	7	3.3	14	3.2
Total	229	100.0	3,383	100.0	212	100.0	441	100.0
ETHNICITY								
<i>Hispanic or Latino</i>	0	0.0	16	0.5	0	0.0	0	0.0
<i>Not Hispanic or Latino</i>	220	96.1	2,642	78.1	205	96.7	425	96.4
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	2	0.9	20	0.6	0	0.0	2	0.4
<i>Ethnicity Not Available</i>	7	3.0	705	20.8	7	3.3	14	3.2
Total	229	100.0	3,383	100.0	212	100.0	441	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

The Bank's minority application flow for this period was compared with the 2010 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Aggregate data for 2010 exceeded the performance of the Bank. However, 2011 shows a positive trend.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (“HUD”) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income. These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 109 Main Street, Gloucester, MA 01930."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.